

ORIGINAL



0000179293

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

TOM FORESE, CHAIRMAN  
BOB BURNS  
DOUG LITTLE  
ANDY TOBIN  
BOYD DUNN

Arizona Corporation Commission

DOCKETED

APR 25 2017

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF  
ARIZONA PUBLIC SERVICE COMPANY FOR  
A HEARING TO DETERMINE THE FAIR  
VALUE OF THE UTILITY PROPERTY OF THE  
COMPANY FOR RATEMAKING PURPOSES,  
TO FIX A JUST AND REASONABLE RATE OF  
RETURN THEREON, TO APPROVE RATE  
SCHEDULES DESIGNED TO DEVELOP SUCH  
RETURN.

Docket No. E-01345A-16-0036

IN THE MATTER OF FUEL AND PURCHASED  
POWER PROCUREMENT AUDITS FOR  
ARIZONA PUBLIC SERVICE COMPANY.

Docket No. E-01345A-16-0123

Summary of Testimony of

Jeff Schlegel

Southwest Energy Efficiency Project (SWEEP)

on the Proposed Settlement Agreement

April 25, 2017

RECEIVED  
AZ CORP COMMISSION  
DOCKET CONTROL  
2017 APR 25 P 4:11

1 Mr. Schlegel is testifying on behalf of the Southwest Energy Efficiency Project  
2 (SWEEP).  
3

4 I filed settlement direct testimony in this proceeding on April 3, 2017 and settlement  
5 rebuttal testimony on April 17, 2017. I also filed revenue requirement and rate design  
6 testimony in this proceeding previously.  
7

8 **SWEEP does not support the proposed Settlement Agreement and is not a Signing**  
9 **Party.** While much of the proposed Settlement Agreement may be in the public interest,  
10 the following provisions are not in the public interest and do not result in just, fair, and  
11 reasonable rates:  
12

- 13 1. Large increases in mandatory fees in the form of high Basic Service Charges (BSC)  
14 for residential and extra small/small general service customers, including 15%, 73%,  
15 and 131% increases under the R-XS, R-Basic, and R-Basic Large rates. (Sections  
16 17.1 - 17.4, and Section XX.) The proposed increases to the BSC are not cost  
17 justified, would reduce the amount of control customers have over their utility bills,  
18 would be unjustly burdensome to some customers, and mute the price signal to  
19 customers to save energy and reduce their utility costs. The proposed BSC increases  
20 are not in the public interest, and therefore should be rejected or modified.  
21

22 Much of the rate increase for some customers is in the BSC – as a fixed charge.  
23 Customers first receive a significant rate increase, and then experience all or most of  
24 the increase as an increase in the fixed charge, with no ability to control that (now  
25 larger) portion of their bill – which is a double whammy for customers. Also, the  
26 increases in the BSCs in some rates affect customers in uneven or unfair ways.  
27

- 28 2. The poorly designed residential time-of-use (TOU) rates that have a long, five-hour  
29 on-peak period (3:00 pm to 8:00 pm), which is a major burden for many customers,  
30 including families and customers who must remain at home. (Section 17.8.)  
31
- 32 3. Restrictions on customer choice and customer rate options, specifically the 90-day  
33 waiting period before qualified new residential customers would be allowed to make  
34 a customer choice to select the R-Basic two-part rate. (Section 19.1.)  
35
- 36 4. The DSM funding over-collections issue proposed to be addressed in the Settlement  
37 Agreement, which is counter to prior Commission procedural direction, and which  
38 should be addressed in the DSM Implementation Plan proceeding as the Commission  
39 directed previously. (Section 4.2 under IV. Bill Impacts)  
40

41 The above provisions of the Settlement Agreement should be modified in the manner  
42 I describe in my settlement direct and rebuttal testimony prior to Commission approval of  
43 the Settlement Agreement. Only then would the Settlement Agreement be in the public

1 interest, and only then would Commission adoption of the Settlement Agreement result in  
2 just, fair, and reasonable rates.

3  
4 **The Commission should modify the proposed Settlement Agreement in order for it**  
5 **to be in the public interest.**

6  
7 SWEEP recommends the Commission modify the proposed Settlement Agreement in the  
8 following manner in order for the Agreement to be in the public interest, and in order for  
9 the Agreement to result in just, fair, and reasonable rates:

- 10  
11 1. Set the Basic Service Charges (BSCs) for residential, extra small general service, and  
12 small general service customers as follows (Sections 17.1 - 17.4, and Section XX):
  - 13  
14 a. Calculate and set the residential BSCs using the Basic Service Method, which  
15 results in a residential BSC of \$7.97 (or round to \$8.00) as calculated by SWEEP,  
16 including for the R-XS, R-Basic, R-Basic Large, and TOU-E rates.  
17  
18 b. Should the Commission want to offer a financial incentive to encourage uptake of  
19 the TOU-E rate through the level of the Basic Service Charge, it could set the R-  
20 XS and TOU-E BSCs at \$7.97 (or round to \$8.00), consistent with the Basic  
21 Service Method, and set the R-Basic and R-Basic Large BSCs higher at \$10 per  
22 month.  
23  
24 c. Calculate and set the extra small general service and small general service BSCs  
25 using the Basic Service Method, which results in a BSC of \$12.00 as calculated  
26 and estimated by SWEEP.  
27
- 28 2. Set the on-peak period for residential time-of-use (TOU) rates to three hours, from  
29 4:00 pm to 7:00 pm, rather than using the long, five-hour on-peak period (3:00 pm to  
30 8:00 pm) in the Agreement, which is a major burden for many customers. (Section  
31 17.8.)  
32
- 33 3. Eliminate the 90-day waiting period before qualified new residential customers would  
34 be allowed to choose and select the R-Basic two-part rate. (Section 19.1.)  
35
- 36 4. Address the DSM funding over-collections issue in the DSM Implementation Plan  
37 proceeding as the Commission directed previously (Decision No. 75323), and not in  
38 the Settlement Agreement. (Section 4.2 under IV. Bill Impacts.) The Commission  
39 should review the DSM funding over-collections issue in the 2017 DSM  
40 Implementation Plan proceeding, which is expected to be completed during 2017, in a  
41 proceeding with adequate due process and with a focus on DSM issues. And if the  
42 Commission so decides, any refund of the DSM over-collections could be provided to  
43 customers as a result of that DSM proceeding, in a timely manner.